

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 1998-820

December 17, 2003

BANGOR HYDRO-ELECTRIC COMPANY
Divestiture of Generation Assets
Request for Approval of Sale of Generation
Assets

ORDER APPROVING
SALE OF BANGOR
HYDRO-ELECTRIC
COMPANY'S GRAHAM
STATION UNITS 4 AND 5

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

In this Order, we accept a Stipulation and approve the sale by Bangor Hydro-Electric Company (BHE) of its Graham Station Units 4 and 5 generating assets to International Power Machinery Company (IMPCO).

II. BACKGROUND

The Graham Units 4 and 5, located in Veazie, Maine have a combined rated capacity of 48 MW, but have not provided capacity or energy since Graham Station was deactivated in 1992. As generation assets, BHE must plan for and divest the units pursuant to 35-A M.R.S.A. § 3204. Because BHE previously sold the Graham Station site, including the site's air emission license, to Casco Bay Energy Company, LLC, the Graham Units 4 and 5 must be moved to a new site in order to operate. Although BHE included the Graham Units 4 and 5 among the generating assets auctioned in 1999, it received no bids for the units. As a result, BHE retained a broker to attempt to find a buyer. Since 1999, BHE's plan to divest the units, described by the Company as the only realistic opportunity to mitigate the stranded costs associated with the units, has been to sell the units to a buyer willing to bear the costs associated with removal and relocation of the units.

By motion on August 20, 2003, BHE asked for approval to sell its Graham Station Units 4 and 5 and certain associated materials and equipment to IMPCO.

Prior to the proposed sale to IMPCO, BHE has received only one offer to purchase Units 4 and 5. In November, 1999 BHE negotiated a proposed sales agreement with I.I.S.A., Inc. of Seabrook, New Hampshire (IISA) for \$570,000. In addition, IISA was to bear the cost of removing the units. The Commission approved the sale of the units to IISA by order in this docket on January 11, 2000. Unfortunately, the president of IISA suffered a stroke and the contract was never executed and the sale to IISA was not accomplished.

BHE states that it now has received a second offer to purchase the Graham Units. This second offer has resulted in the purchase and sale agreement with IMPCO dated July 25, 2003, which is the subject of the August 20 motion for approval. IMPCO will pay \$20,000 for the two units, and pay for the costs of removing the units from the

building at the Graham site. BHE estimates the cost of removing the units at \$500,000. IMPCO will remove and pay for removing the units only if IMPCO resells the units. IMPCO must notify BHE by December 31, 2003 of whether IMPCO will forego taking ownership of and removing the units. Even if IMPCO foregoes taking ownership, IMPCO will pay BHE the \$20,000 purchase price.

A technical conference was held in this matter on November 5, 2003. On November 17, 2003, BHE filed a stipulation, signed by it and the Office of the Public Advocate. The stipulating parties recommend that the Commission approve the proposed sale of the Graham Units to IMPCO.

III. DECISION

Since 1992, the IMPCO purchase and sale agreement is only the second offer to purchase Graham Units 4 and 5. We agree with statements made by BHE that as the 1950s-vintage units become older, and the longer the period of deactivation continues, the less likely that a willing buyer will be found for the units. It is also obvious that the units must eventually be removed from the Graham building, at considerable expense.

We therefore accept the stipulating parties recommendation that the proposed sale of the Graham Units is in accordance with BHE's Divestiture Plan and that the proposed sale satisfies BHE's obligation to reasonably mitigate stranded costs pursuant to 35-A M.R.S.A. § 3208(4).

The stipulating parties also agree that BHE should be permitted the authority to extend the December 31, 2003 option date in the purchase and sale agreement for a period of up to six months. We agree that it is reasonable to grant BHE the authority to extend the deadline for completing the sale by up to the six months requested.

Lastly, although not a topic addressed by the Stipulation, we direct BHE to credit the Asset Sale Gain Account by the amounts received from IMPCO for the sale of the Graham Unit assets.

Accordingly, we approve the Stipulation (attached hereto) and authorize the sale of the Graham Units 4 and 5 as described above.

Dated at Augusta, Maine, this 17th day of December, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.